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MUNICIPAL ADMINISTRATION AND FINANCE IN GAUHATI

Abhijit Datta

Professor of Urban Administration and Development
and Municipal Finance

Indian Institute of Public Administration,
New Delhi.

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MUNICIPAL ADMINISTRATION AND FINANCE IN GAUHATI

1. Background

1.01 Municipal administration at Gauhati started in the late thirties of the 19th century and records confirm the existence of a town improvement committee with 'elected' members in 1836. Originally, the Bengal Act of 1850 was extended to Gauhati, as in other parts of British India. The District Municipal Act of 1864 was extended to Gauhati in 1865 and in 1878 Gauhati was declared a first class municipality in Assam. The Act of 1864 empowered the town committee to levy a tax "according to the financial circumstances and property of the person to be protected". The Act was enlarged in 1867 and in 1868 the town committee was endowed with wide range of powers. The Bengal Act of 1876 was made applicable to Gauhati and in 1883 municipal elections took place with 38 members, of whom only 3 were elected, the rest were officials (4), non-officials (17), and nominated (14). In 1923, Assam got its own Municipal Act, which was repealed by the Assam Municipal Act of 1956.

1.02 Gauhati municipality functioned under the 1956 Act until it was repealed by the Gauhati Municipal Corporation

Act, 1969. The elected municipal board was superseded by the State government in May, 1966, till the formation of the Corporation in February, 1974. Elections were held in January, 1974 and out of 35 wards, 34 councillors were duly elected to the Corporation and for the remaining ward (ward No.20) a councillor was elected in June, 1974. Within a year and a half, however, the Corporation was superseded by the State government in September, 1975, and an Administrator was appointed to discharge the statutory duties of the Corporation and its Standing Committees. In between two spells of supersessions - ranging over a decade (1966-74 and 1975 - present), Gauhati had a brief spell of elective municipal government lasting for barely 18 months.

1.03 With the formation of the Gauhati Municipal Corporation, large areas of undeveloped rural land was added to the old municipal land, in the hope that the Corporation would effectively take steps to prevent unplanned urbanisation in the adjoining rural fringe. But this presupposes an adequate municipal machinery to handle the task, alongwith the financial viability of the Corporation to equalise the civic services in all the areas. The area-wise growth of the Corporation is shown in Table-1.

Table -1

Total Area of the Gauhati Municipal Corporation

	Area		<u>Wards</u>
	Sq. Km.	(Sq.m.)	
Old Municipal	14.24	(5.50)	14
New Rural	201.49	(77.80)	20
	<u>215.73</u>	<u>(83.30)</u>	<u>34</u>

1.04 The growth of population in Gauhati is indicated in Table-2.

Table-2

Growth of Population in Gauhati

Year	Population	Annual Growth
1951	43,615	3.21%
1961	1,00,707	13.08%
1971	1,23,783	2.29%
1975	2,52,973 (est.)	10.43%

It shows a phenomenal annual growth rate of about 13% during the 1951-61 decade in the wake of the Partition and a considerable slowing down of the population

growth during the 1961-71 decade to less than 3%. In recent years, again, population growth is showing an upward trend due, mainly, to the temporary shifting of the State's capital to Gauhati. It is expected, however, that the annual rate of growth would stabilise at around 5%, if the capital is shifted away from Gauhati. Even otherwise, it is difficult to see that an annual growth rate of around 10% could be sustained for long.

1.05 The income and expenditure account of the Corporation shows certain interesting features. The year 1974-75, for which accounts have been finalised; shows wide variation in expected and realised income. Since the final accounts for 1975-76 are not available, it is a matter of conjecture whether such a trend would continue. One curious feature of the three available budgetary data is that the closing balance of the previous year is not carried over as the next year's opening balance. There is nothing to show in the budget document that a revised estimate was made and approved. The broad financial position of the Corporation is shown in Table-3.

1.06 The tendency seems to be to over-budget the income and, on that basis, plan for an inflated expenditure target. When the expected income is not realised, and the

Table-3

Financial Position of the Gauhati Municipal Corporation

	(Rs Lakhs)			
	1974-75 (B.E.)	<u>Actuals</u>	1975-76 (B.E.)	1976-77 (B.E.)
Opening Balance	24.98	24.98	6.98	8.97
Income	<u>158.47</u>	<u>52.85</u>	<u>187.55</u>	<u>241.29</u>
	183.45	77.83	194.53	250.26
<u>Less</u>				
<u>Expenditure:</u>	<u>182.10</u>	<u>67.89</u>	<u>189.62</u>	<u>246.20</u>
Closing				
Balance	1.35	9.94	4.91	4.06

balances do not cover the gap, the Corporation would presumably plead for increased State assistance to avert bankruptcy. This seems to have happened already at the close of 1975-76 fiscal year.

2. Framework of Administration

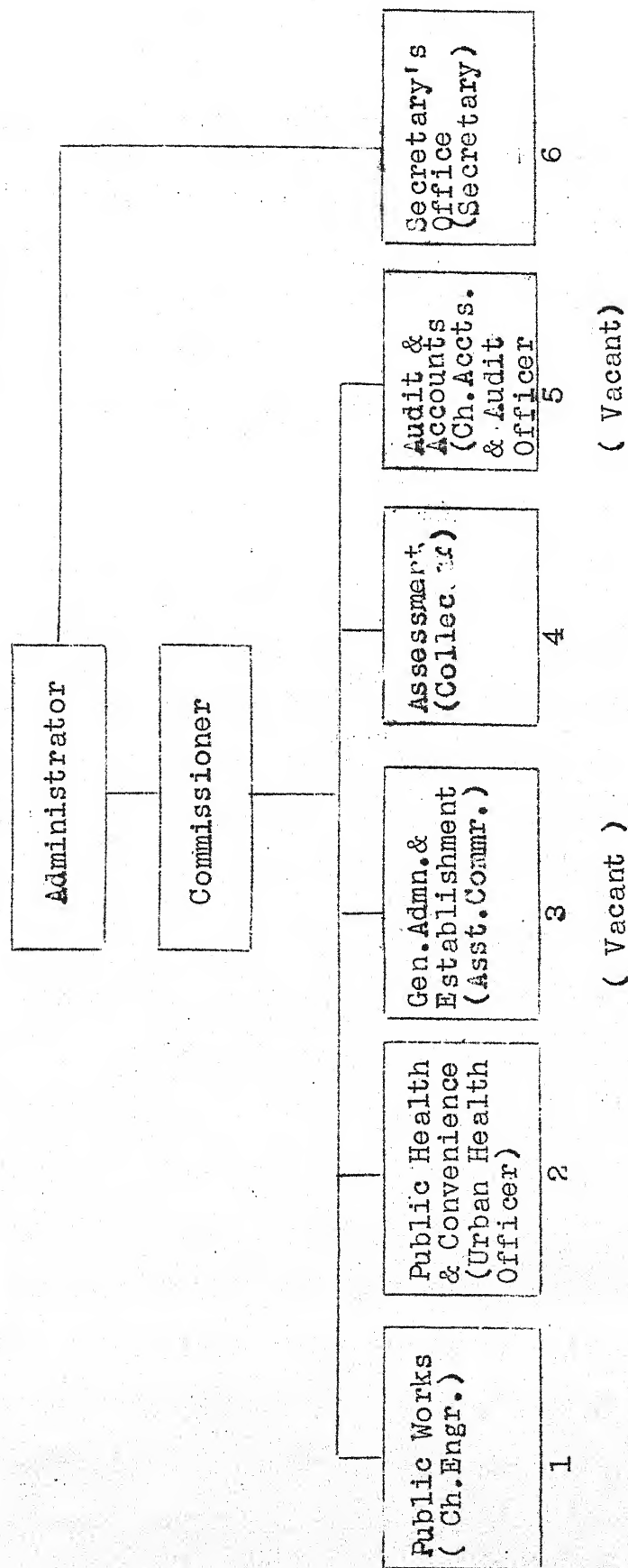
2.01 The organisational set-up of the Gauhati Municipal Corporation may be explained through Chart-1.

Out of six departments, two are functioning without a head. Both these are crucial house-keeping departments, viz., establishment and accounts. It is interesting to note that the Collector, who is incharge of the assessment and collection department, is also looking after establishment, accounts and payments. On the other hand, the office of the Secretary, although redundant under a superseded regime, seems quite active in undertaking widely different activities, such as, licencing, rule-making for octroi, water supply, etc. The Urban Health Officer, although a qualified medical graduate, is not a specialist in public health, which seems to be the major pre-occupation of the Corporation on the health front. Further, his pay is at par with that of the Chief Sanitary Inspector, who hardly has any qualification worth the name. At the next level, the Sanitary Inspector (South) also functions as the Garage Incharge under the public works department, leading to diffusion of control and ineffective supervision of the Central Workshop.

2.02 Apart from the imbalances in the administrative set-up, there are a few other features that distort the

Chart 1

Organisational Set-up of the Gauhati Municipal Corporation: 1976



decision-making process in the Corporation. Firstly, the Administrator, being a comparatively junior officer in the State administrative hierarchy (ACS I) is amenable to pressure and influence from the environment of administration. In the second place, the two key officials, due to their long innings in the erstwhile municipal board and the present Corporation, viz., the Collector and the Municipal Secretary, do seem to exert influence on the Administrator and the Commissioner even on matters outside their original terms of appointment. Both these officials are borrowed from the State administrative cadre (ACS II) and it is surprising that their deputation is allowed to continue beyond the normal period of 3 years. The third weakness of the existing decision-making apparatus is that the Administrator has usurped the role of the Commissioner and makes executive decisions. This is in clear violation of law, although not without the knowledge of the State Government. Fourthly, the departmental set-up in the Corporation is weak due to lack of professionalisation of administration and absence of personnel to head crucial departments, like, establishment and accounts, as also to man important posts of Chief Medical Officer, Zonal Assistant Commissioners(2), Assessment Officers (3), Tax Inspectors (3), Tax Superintendant (2), and Administrative Officer. Fifthly, adequate steps are to be taken to man the Corporation at the middle

level as there is a tendency to offer promotions without clearly specifying the job requirements of the higher posts and the required qualifications necessary for the purpose.

2.03 If the above commentary paints a depressing picture of the state of affairs in the Gauhati Municipal Corporation, the blame should be squarely apportioned between the Administrator and the Government. There is a lack of perception on the part of the Government about the growth prospects of the Corporation in terms of its finances and personnel. The consequences of its decision to appoint a comparatively junior officer as the Administrator and allowing him to bypass the Commissioner also flow from the inadequate appreciation of healthy traditions in administration. This is all the more important in a new institution to be operated by an elected Council.

2.04 It is necessary that the Administrator would be somewhat removed from the day to day administration of the Corporation and, at the same time, protect the Commissioner against undue pressure and influence. It is, therefore, proper that the Divisional Commissioner (Plains) be appointed as the Administrator of the Corporation. Similarly, the status of the Commissioner of the Corporation needs to be upgraded to the level of the Secretary to the Government, in view of his key role in the executive administration.

2.05 During the period of supersession, it is the duty of the Government and the key officials of the Corporation to ensure that the Corporation grows in terms of financial strength, activities and staffing. At the moment, the Corporation is only a legal entity, its functioning is not different from the erstwhile municipality. What is necessary is to adopt a time-bound programme for its development. A five-fold growth in staff, finance and activities could be envisaged for the Corporation even within its present framework. Chart-2 indicates the lines of expansion in activities and staffing. The concomitant financial expansion will be discussed in the next chapter. These improvements are to be achieved to a substantial degree before the restoration of the elective council.

2.06 There is also a need for creating at least four zonal offices of the Corporation under the charge of Assistant Commissioners, who could organise area-wide municipal services on a decentralised basis. The Central Workshop also needs to be placed under the charge of an Assistant Engineer (Mechanical). The corresponding increases of staff at the worker-level for the public works and health departments would also be necessary to provide municipal services at the doorstep of the citizens. Also, there would be need to employ a large number of octroi

Chart - 2

Perspectives of Growth in Staffing of the Gauhati Municipal Corporation: 1980

DEPTS	Levels			Field/ Staff
	I	II	III	

Commissioner & Dy. Commr.	Public Works	Chief Engineer	3	5	16
	Health	Chief Health Officer	2	4	8
	Education	Education Officer	2	4	8
	General Administration	Asst. Commr. Law Officer	2 2	3 2	
	Treasury	Financial Controller	3	5	
	Assessment	Assessor	1	3	
	Revenue	Revenue Officer	3	5	30
	Social Welfare	Social Welfare Officer	2	2	8

Total:	9	20	33	70
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Charrirs at the octroi posts when the tax is imposed.
Incr ases in office staf at the headquarters need to be
kept at a minimum.

3. The Fiscal Scene

3.01 Any examination of the fiscal scene of the Gauhati Municipal Corporation needs to be scanned in the light of the official budget document. The budget estimates of the Corporation for 1976-77 was adopted by the Administrator on 22 March 1976 (the last day statutorily fixed). The process of finalization of the budget illustrates a twisted system of Corporation administration, to which reference has already been made. Let us follow the budgetary process, as enacted in the Corporation, step by step.

3.02 Step 1: The Commissioner prepares the initial budget proposals. It is not known when the Commissioner's budget was submitted to the Administrator (the last date statutorily fixed being 15th February), nor are the original figures indicated in the final budget document.

Step 2: The Administrator discusses the Commissioner's budget "with the Commissioner, Chief Engineer, Collector, and Municipal Secretary of the Corporation". It is not known when this discussion took place and why strangers (persons other than the Commissioner) discussed the budget with the Administrator.

Step 3: The Administrator makes detailed observations on the Commissioner's budget on 19 February 1976 (the last day statutorily fixed for submission of the Commissioner's budget to the Corporation) and sends it back to the Commissioner on 23 February 1976. It is not understood why the budget proposals should come back to the Commissioner. Statutorily, it is for the Standing Finance Committee (now the Administrator himself) to reconsider the original budget, if necessary.

Step 4: The Commissioner resubmits his budget proposals after complying with the suggestions made by the Administrator contained in his "observations" dated 19 February 1976. It is not understood why the Commissioner should play the role of the Standing Finance Committee. In fact, the Administrator could have changed the Commissioner's budget in his own wisdom, without trying to implicate either the Commissioner or the other assembled gentry with whom the Commissioner's budget was discussed (See: Step 2).

Step 5: The modified budget estimates for 1976-77, "as recast in the light of (the Administrator's) observations" was adopted by the Administrator "in exercise of power conferred under Section 425(2)(b) of the Gauhati Municipal Corporation Act, 1969" on 22 March 1976 (the last day statutorily fixed for the purpose). The mention of the substantive responsibility on the Corporation for adopting the budget under S. 120(3) of the Act was not mentioned; instead the Administrator made a reference only to his power of attorney under Section 425(2)(b).

Apart from the perversity of quasi-legislative procedure, as envisaged in the Act, the case graphically illustrates a lack of awareness of the duties and powers of the office of the Administrator and the role of the Commissioner.

3.03 Coming to the contents of the Administrator's "observations" on the Commissioner's budget estimates, the pattern seems to be what has been anticipated earlier (para 1.06). The salient features are summarised in Table-4.

Table-4

Observations of the Administrator on the Commissioner's Budget

Income	Expenditure
(A) General taxation:	(A) Establishment:
<u>Property tax</u> - Provision for collection of taxes to be made from the extended areas.	<u>Filling-up of vacancies</u> - Future requirements to be considered.
<u>Tax on advertisements</u> - Appears too low.	(B) Public Works:
<u>Tax on Professions</u> - Rather low.	<u>New works</u> - Estimate of the Chief Engineer for an additional expenditure, bringing the total to Rs 85 lakhs, to be provided for in the budget estimates.
<u>Tax on animals, vehicles etc.</u> - Very low.	
(B) Contribution from Govt.:	
<u>Assigned taxes</u> - Underestimated.	
(C) Markets and slaughter houses:	(C) Water supply:
<u>Rent of stalls</u> - To be refixed upwards.	<u>Improvement scheme</u> - Provision to be made in the light of the estimates made by the Chief Engineer.

Since the Commissioner's original budget proposals do not appear in the budget document, it is not possible to find out the extent of upward revision effected due to the Administrator's budgetary exercise.

3.04 The divergence between expected and realised income of the Corporation has already been commented upon (para 1.05).

It might be worthwhile to examine this aspect somewhat closely for the year 1974-75 for which accounts have been finalised.

3.05 The budget document for 1976-77 provides data for 1974-75 (actuals), 1975-76 (budget), 1975-76 (actuals for the first 6 months), and 1976-77 (budget). A close examination of the budgetary data reveals that there is hardly any firmness about the figures indicated. For instance, the figures shown under 1974-75 (actuals) in the Administration Report of the Corporation for 1974-75 do not tally with the same figures shown in the budget document for 1976-77. Also, the sub-totals in the budget document for 1974-75 (actuals), 1975-76 (actuals for 6 months) and 1976-77 (budget) do not add up to the final total. We have taken the sub-total figures as firm and calculated the final totals accordingly.

3.06 It would appear from Table-5 that the collection of municipal taxes and rates was quite satisfactory (80%); this would be a wrong inference, as the percentage of property tax collection against current demand was 57% and against arrear demand only 23% (see Table-11 below, items (6) (3)). The shortfall on account of contribution from Government was mainly due to the non-receipt of assigned taxes amounting to Rs 87.18 lakhs. However, the Corporation received Rs 7.30 lakhs as grants from Government, as against an anticipated amount of Rs 5.27 lakhs. There has also been disappointment

Table-5

Shortfall in Realised Income of the Gauhati
Municipal Corporation: 1974-75

(Rs lakhs)

	<u>Budget</u>	<u>Actuals</u>	<u>% Shortfall</u>
1. Municipal Taxes & Rates	44.57	35.86	20.00
2. Contribution from Govt.	97.45	11.31	88.39
3. Revenue from property	0.13	0.05	61.54
4. Realisation under Spl. Acts	3.02	2.94	2.65
5. Interest	0.03	-	100.00
6. Licencing Fees	1.87	-	100.00
7. Markets/Slaughter Houses	3.09	2.22	28.16
8. Other Fees	1.50	0.26	82.67
9. Capital Receipts	6.81	0.20	97.06
	<u>158.47</u>	<u>52.84</u>	<u>66.67</u>

on account of loans from Government; as against an anticipated amount of Rs 6.81 lakhs, only Rs 20 thousands was received. Due to shortfall on the receipts side, there has been a severe cut on the expenditure side; out of a budgetted amount of Rs 182.10 lakhs, only Rs 67.89 (37%) could be spent.

3.07 The disappointment on the score of non-receipt of Government's contribution for assigned taxes

continued in the subsequent years. Yet, the budget for 1976-77 provided for Rs 151 lakhs on this account. Only Rs 25 lakhs was released on account of entertainment tax for 1974-75. The consequence of non-receipt of assigned taxes has been quite upsetting and the Corporation was forced to rely on whatever taxes it could collect to finance its expenditure. Viewed against this experience, it would seem that the budget estimates for 1976-77 rely to a great extent (66%) on the Government's contribution, without reaching any firm commitment in this regard. Table-6 illustrates optimism regarding Government contribution on the income side and, on this basis, makes excess provision for water supply and public works on the expenditure side.

3.08 It is clear that efforts will have to be made in future to correct the imbalance between domestic and external resources to finance the activities of the Corporation. This is not to suggest that the Corporation should not expect its legitimate dues from the Government to be paid fully and regularly. Unless substantial efforts are made to augment the domestic tax and non-tax revenues of the Corporation to constitute about 70% of its ordinary income, there is no hope of financial solvency of the Corporation in years to come. So far, the only major tax source has been property taxes; but, the collection performance has been poor. With better

Table-6

Relative Share of items of Income and Expenditure of the
Gauhati Municipal Corporation: 1975-76 & 1976-77
(In Percentages)

Items	Income			Items	Expenditure		
	1975-76 (B.E.)	1975-76 (Actuals: 6 months)	1976-77 (B.E.)		1975-76 (B.E.)	1975-76 Actuals: 6 months	1976-77 (B.E.)
1. Municipal Taxes	41.15	69.97	23.50	1. General Admin.	6.58	2.13	6.95
2. Govt. Contribution	28.87	16.84	65.68	2. Collection of Taxes	3.50	1.87	2.90
3. Property income	0.03	0.50	0.03	3. Office Upkeep	0.03	0.04	0.09
4. Under Spl. Acts	1.07	3.11	1.96	4. Stores	-	0.03	0.06
5. Interest	0.02	-	0.04	5. Water supply	2.81	1.75	9.66
6. Licencing Fees	0.27	0.47	-	6. Public Health	20.87	10.90	14.52
7. Markets etc.	1.33	6.87	1.66	7. Public Works	8.37	-	20.98
8. Other Fees	0.47	1.99	0.58	8. Education	0.27	0.12	0.19
9. Capital Receipts	26.77	0.25	1.57	9. Misc. Charges	4.12	0.75	1.54
				10. Enterprises	0.03	-	-
				11. Debt charges	1.50	0.72	5.24
				12. Capital Exp.	51.92	81.69	54.45
	100.00	100.00	100.00		100.00	100.00	100.00

assessment and improved collection, there is no reason why a three-fold increase in property tax revenue cannot be achieved. This would bring in about Rs 2 crores. Secondly, there should be a continuing understanding with the Government on account of tax-sharing, assigned taxes and grants to be paid to the Corporation. Appointment of a Municipal Finance Commission every five years could be considered to determine the Government's liability towards the municipal authorities. This could be included in the committed budget of the State Government for a five-year period, as required by the Federal Finance Commission. On a conservative estimate, one could hope for about Rs 1.50 crores as the Government's annual contribution to the Corporation. Thirdly, with the imposition of octroi, the revenue of the Corporation is expected to increase by another Rs 1 crore. Other sources of revenue available to the Corporation may not yield much; yet, one could reasonably expect an additional annual income of around Rs 50 lakhs. These estimates are obviously based on informed judgements, ^{and} may be regarded as broad targets.

309. The revenue projection of the Corporation may thus be summarised in Table-7.

Table-7

Growth of Revenue of the Gauhati
Municipal Corporation: 1980

	(Rs Crores)
(i) Property Taxes	2.00
(ii) Govt. contribution	1.50
(iii) Octroi	1.00
(iv) Other income	0.50
	<hr/>
Total	5.00

3.10 There is no reason why the Corporation cannot plan for this magnitude of income in the near future, provided its administrative machinery is streamlined to this end and the Government takes a positive attitude towards the Corporation. A substantial part of this increased income is realisable within the next three years, but its full potential might be reached over a five-year period.

4. Domestic Revenue

4.01 We have already seen that in the Gauhati Municipal Corporation the actual contribution of purely municipal revenues has been substantial in relation to its total income, although the budgetary estimates rely primarily on the Government's contribution to pay for its development schemes. Table-7 brings out the main ingredients of municipal revenue both from domestic and from external sources.

4.02 One can see from Table-8 that although the budget estimates underplay the role of domestic revenue in the Corporation finances, the actual receipts during 1974-75 indicate almost overwhelming dependence on domestic sources (78%), particularly, the property taxes. The importance of property taxes in relation to the domestic revenue and the total revenue of the Corporation may be seen in Table-9.

4.03 Although the share of property taxes went up to 55% of total revenue in 1974-75, it was largely due to the non-receipt of the Government's contribution to the Corporation (para 3.06). In the two recent budgets, the share of property taxes has been placed at 35% and 21% respectively. Nevertheless, in the domestic revenues of the Corporation, property tax does emerge as the most important source, both in the actuals as also in the budget estimates. In our projected revenues for the Corporation during 1980-81, we have assigned

Break-Down of Municipal Revenues of the
Gauhati Municipal Corporation

	(Rs Lakhs)							
	1974-75 (B.E.) Amount	1974-75 (Actuals) Amount	1975-76 (B.E.) Amount	1976-77 (B.E.) Amount	1980-81 (Projected) Amount			
<u>A. Domestic Revenue</u>	<u>54.21 (34.21)</u>	<u>41.33(78.22)</u>	<u>83.21(44.36)</u>	<u>79.02(32.75)</u>	<u>350.00 (70.00)</u>			
<u>1. General Taxes</u>	<u>44.57 (28.13)</u>	<u>35.86(67.87)</u>	<u>77.17(41.15)</u>	<u>68.77(28.50)</u>	<u>300.00 (60.00)</u>			
(Property taxes) N.A. N.A. (29.31) (55.47) (65.00) (34.66) (50.00) (20.72) (200.00) (40.00)								
<u>2. Other Revenues</u>	<u>9.64 (6.08)</u>	<u>5.47(10.35)</u>	<u>6.04 (3.21)</u>	<u>10.25 (4.25)</u>	<u>50.00 (10.00)</u>			
(i) Property	0.13 (0.08)	0.05 (0.10)	0.10 (0.05)	0.08 (0.03)			
(ii) Spl. Acts	3.02 (1.90)	2.94 (5.56)	2.01 (1.07)	4.73 (1.96)			
(iii) Markets etc.	3.09 (1.95)	2.22 (4.20)	2.50 (1.33)	4.00 (1.66)			
(iv) Licences	1.87 (1.18)	-	0.51 (0.27)	-			
(v) Other Fees	1.50 (0.95)	0.26 (0.49)	0.88 (0.47)	1.40 (0.58)			
(vi) Interest	0.03 (0.02)	-	0.04 (0.02)	0.04 (0.02)			
<u>B. Govt. Contribution</u>	<u>97.45(61.44)</u>	<u>11.31(21.40)</u>	<u>54.14 (28.87)</u>	<u>158.50 (65.68)</u>	<u>154.00 (30)</u>			
<u>C. Capital Receipts</u>	<u>6.81(4.30)</u>	<u>0.20(0.38)</u>	<u>50.20 (26.77)</u>	<u>3.80 (1.57)</u>	<u>.. ..</u>			
<u>Total</u>	<u>158.47(100)</u>	<u>52.84(100)</u>	<u>187.55 (100)</u>	<u>241.32 (100)</u>	<u>500.00(100)</u>			

Table-9

Property Taxes in relation to the Domestic and Total
Revenue of the Gauhati Municipal Corporation
(Various Years)

	(Rs Lakhs)			
	1974-75 (Actuals)	1975-76 (B.E.)	1976-77 (B.E.)	1980-81 (Projected)
(1) Property Taxes	29.31	65.00	50.00	200.00
(2) Domestic Revenue	41.33	83.21	79.02	350.00
(3) % of (1) to (2)	70.92%	78.12%	63.28%	57.14%
(4) Total Revenue	52.84	187.55	241.32	500.00
(5) % of (1) to (4)	55.47%	34.66%	20.72%	40.00%
(6) % of (2) to (4)	78.21%	44.37%	32.74%	70.00%

a substantial role for property taxation (40%). In a relative sense, the importance of property taxes would diminish in future when octroi revenue starts flowing in. Even then, octroi would account for only half the income derived from property taxation in 1980-81 (Table-7) and the total domestic resources would constitute 70% of the total municipal revenue, as envisaged earlier (para 3.08).

4.04 We would now examine the system of property taxation to pin-point the deficiencies in its assessment and collection, so that appropriate measures are taken to substantially increase its yield, as projected for 1980-81. Table-10 gives an overview of property tax receipts in the Corporation.

Table-10

Property Taxation in the Gauhati Municipal Corporation

	(Rs Lakhs)	
	<u>1974-75</u>	<u>1975-76</u>
(1) Opening balance:	40.14	46.05
(2) Current demand	<u>35.21</u>	<u>37.42</u>
(3) Total demand	75.35	83.47
(4) Collection	<u>29.30</u>	<u>31.62</u>
(5) Closing balance: (3) - (4)	46.05	51.85

It is necessary to analyse the collection figures more closely and differentiate between arrear and current collection, so that the exact relationship between demand and collection could be seen in terms of arrear, current and total property taxation. Table-11 summarizes the situation for 1974-75 and 1975-76.

4.05 The performance record with regard to property taxes during the two recent years show close consistency. It also shows a very low record of arrear tax collection (23%), an average record of current tax collection (57%) and a high proportion of outstanding balance (62%). Unless the total collection performance improves from the present 38% to 80%, the Corporation deserves to be liquidated.

Table-11

Property Tax Demand and Collection in the
Gauhati Municipal Corporation

(Rs Lakhs)

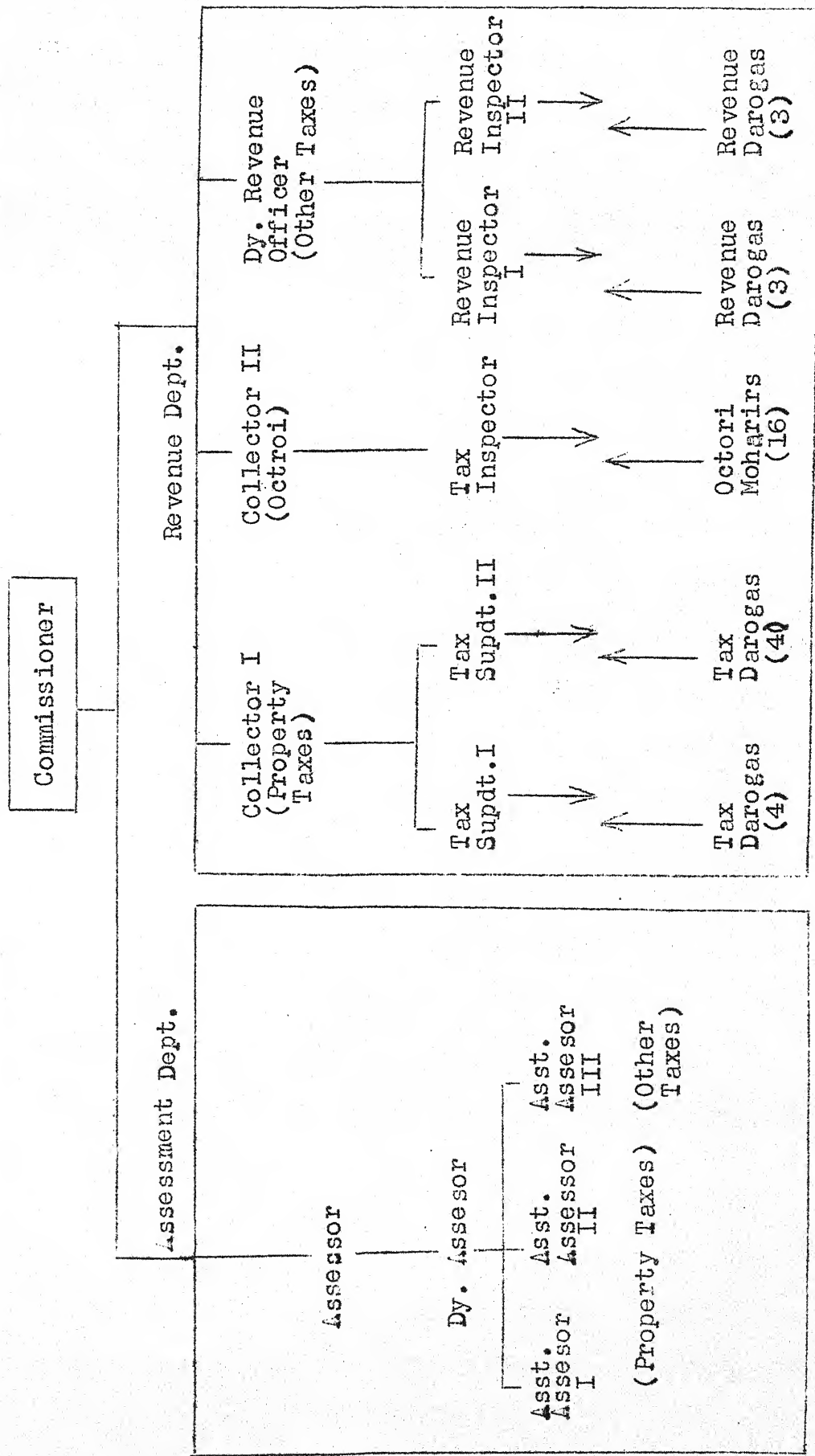
	<u>1974-75</u>	<u>1975-76</u>
<u>A. Arrear</u>		
(1) Demand	40.14	46.05
(2) Collection	<u>8.99</u>	<u>10.42</u>
(3) % of (2) to (1)	22.40%	22.63%
<u>B. Current</u>		
(4) Demand	35.21	37.42
(5) Collection	<u>20.31</u>	<u>21.20</u>
(6) % of (5) to (4)	57.68%	56.65%
<u>C. Total</u>		
(7) Demand	75.35	83.47
(8) Collection	<u>29.30</u>	<u>31.62</u>
(9) % of (8) to (7)	38.89%	37.88%
<u>D. Outstanding</u>		
(10) Balance	<u>46.05</u>	<u>51.35</u>
(11) % of (10) to (7)	61.11%	62.12%

4.06 We have already commented upon the existing set-up of revenue administration (Chart-1) and suggested a thorough reorganisation of the administrative structure of the Corporation (Chart-2). Here our primary focus is property tax administration and we must view it as an important, but a constituent, part of the ^{re}organised system of fiscal administration. The broad features have already been outlined in Chart-2 and what remains to be done now is to concretise the picture in terms of various positions that need to be created to shoulder the dual responsibilities of assessment and collection of municipal taxes, fees and other revenues in the Gauhati Municipal Corporation. This is attempted in Chart-3.

4.07 What is envisaged is a separation of the assessment and collection functions and entrusting the assessment responsibilities to a qualified professional assessor, to be responsible for assessment of all direct taxes of the Corporation. The revenue responsibilities for all taxes, fees and remunerative undertakings are to be centralised in the revenue department to be directly supervised by the Commissioner or a Deputy Commissioner. It is also necessary to select the middle-level officers with care, so that only those who have the potential to rise in the department may be chosen. In the assessment department, due to the technical nature of job-content, intensive training in the intricacies of assessment - in theory and practice -

Chart-3

Proposed Set-up of Fiscal Administration in the Gauhati Municipal Corporation: 1980



seems essential. The revenue department will have to be field-oriented and the staff mobility, supervision and job rotation needs to be ensured to make the organisation effective, efficient and honest. It is also necessary to emphasise that adequate staffing for assessment and collection of taxes is a prerequisite for achieving positive results in terms of performance. We have already indicated certain guidelines in this direction (Chart-3); but, for operational purposes, it would be useful to calculate the needed strength on the dual criteria of work-load - a sample of about 25% of supervision of field work is reasonable - and an estimate of the increased collection due to staff expansion.

4.08 The quinquennial valuation of properties for tax purposes in Gauhati fell due by the end of 1975. But no step could be taken by the Corporation authorities due, mainly, to lack of experienced staff. It is understood that preliminary survey work has been completed in respect of about 5 wards in the old area and the question that is being debated internally is: whether it is possible to give effect to revaluation of properties for a part of the Corporation area? The answer is yes; provided, the same area is revalued again after five years. It is possible to introduce a cyclical system of valuation of the different areas of the Corporation, each year covering, say, 7 wards, so that within a period of five years the entire area of the

Corporation would be revalued for tax purposes. This will also spread-out the additional work-load for valuation purposes and make it an auxiliary responsibility of assessment department.

4.09 There are complaints regarding wide variations in assessment, particularly it is alleged that the business premises in the Fancy Bazar area have been undervalued. Without spot checks of a sample of holdings in the business area, it is not possible to pass any judgment on this issue; although, the need for adequate records, including an assessment map, showing details of each individual holding, will help in identifying gaps in valuation and assessment. These records need to be updated through field inspections and information supplied by the public works department on the basis of completion certificates. The Demand Register should contain information regarding the year of assessment, type of building and the built-up and vacant area of a premises. The information system to be installed in the assessment department needs to be properly designed, stored and retrieved for valuation and assessment purposes.

4.10 The Assistant Assessors should submit regular inspection reports on all properties lying within their jurisdiction, mentioning such aspects as the nature of construction, stage of completion, additions and alterations during the year and the actual and reasonable rent of the

property. Annual assessments should be based primarily on these reports.

4.11 The Commissioner is statutorily required to prepare an Assessment List (§.156) in a manner specified in detail in the bye-law for this purpose. The draft^a/bye-law is yet to be approved by the Corporation and sanctioned by the Government. This casts doubt about the validity of the current assessment list prepared by the Commissioner.

4.12 There seems to be some difficulties in giving effect to valuation and assessment of the properties for the areas recently incorporated within the municipal limits. The level of municipal services in these areas is admittedly lower than in the older settled areas. It is possible to prepare a separate budget for the newer areas and collect service taxes and charges on somewhat reduced rates during such period as is required to equalise the service standards in all the areas of the Corporation. This has been the practice in Bombay with separate budgets for the city, suburbs and extended suburbs. This will have to be done by amending the Corporation Act.

4.13 The statutorily fixed minimum rate for the holding tax is 10% of the annual rateable value (this was 7½% under the Gauhati Municipality). Although this is quite a low rate compared to the prevailing rates in the corporations

in other parts of the country, there are reports of tax-payers' resistance to give effect to this rate. Unless the general level of municipal services improves, the tax payers would be justified in their complaints that they are penalised to maintain unproductive municipal bureaucracy. The only way to get round this problem is to create a visible impact on the citizenry through the provision of improved municipal services. One must note, at the same time, that the relative costs of general administration and tax collection are still low in the Gauhati Municipal Corporation, compared to other local authorities. Nevertheless, the vicious circle of inadequate staffing, limited municipal services, low tax collection leading again to maintaining a limited role of the Corporation must be broken, to achieve higher levels of municipal performance and citizen-satisfaction.

4.14 The method of assessment of property in Gauhati is the reasonable annual letting value. Under section 150(1) of the Gauhati Municipal Corporation Act, 1969, it is provided that : "The rateable value of any land or building assessable to property taxes shall be the annual rent at which such land or building might reasonably be expected to let from year to year" less a sum of ten percent of the annual rent for maintenance, plus the water tax or the scavenging tax or both, when it is inclusive of either or both. Where the rent includes water tax, necessary deduction will be allowed to

those holdings where water is supplied by measurement.

In respect of any land or building where standard rent has been fixed for rent control purposes, the rateable value shall not exceed the annual amount of the standard rent.

4.15 The first issue arising out of the method of determination of annual letting value is the equation between water tax and water rate. Water tax is a compulsory impost on the citizens to defray the costs of municipal services, particularly the costs of free water supplied for standposts, fire fighting, general cleanliness of the area, etc., and are payable by the owners of all holdings where water is available, irrespective of individual house connection. Water rate, on the other hand, is a fee and is based on the consumption of water by the households, measured either through metering or estimated by the number of taps or the size of the ferrull. It is proper, therefore, not to substitute a fee for a tax, but use the proceeds of both water tax and water charges for the specific purposes for which these are meant. This, obviously, needs legislative reconsideration.

4.16 The second issue arises as a result of rent control under the Assam Urban Areas Rent Control Act, 1951. Although the law provides for assessment on the basis of 'reasonable' rental for those properties where standard rent has not been fixed, in practice all municipal assessment in Gauhati follows the procedure for the determination of standard

rent to calculate annual letting value. This follows the decision of the High Court in the case of Lalchand Chhaganmal and others Vs. Municipal Board of Karimganj (AIR 1970, Assam and Nagaland 214) that "the gross annual rental at which a holding may reasonably be expected to let, cannot exceed the standard rent for such holding as fixed by the legislature under the provisions of the Rent Control Act". The result is that the term "reasonable" rent in effect means "standard" rent and the Corporation is acting as the executing agency for rent control legislation. It is a moot point whether this situation should be allowed to continue and the Corporation should lose all flexibility in valuation of property and made to suffer the consequences of a frozen rental market. The remedy lies in severing the nexus between the municipal and rent control legislations, either through the adoption of a capital-value basis of assessment as (in USA) or by making the occupier liable to pay property taxes (as in UK). Unless this problem is attacked frontally, mere legal quibbling will not solve the issue.

4.17 The problem of determining "reasonable" rental is not confined to property taxes alone, but is also applicable for the fixation of licence fee (Fourth Schedule, serials 8-18, 24-96, 105-113, 124-132 of the Act).

4.18 We have already commented on the dismal performance with regard to arrears collection. It is

noticed that the biggest defaulters are the educational institutions, Government departments and other public authorities. Taxes are not collected from the educational institutions on compassionate grounds and no legal proceedings against the State Government or other public authorities are instituted on loyalty grounds. These constitute gross negligence of duty on the part of the Commissioner. Since the law fixes the executive responsibility squarely on the Commissioner, the corresponding duty to fulfil the obligations flowing from the statute must be discharged. In Tamil Nadu, Andhra Pradesh, Karnataka and Kerala the municipal commissioners are surcharged for such inaction.

4.19 Usually, an analysis of arrears shows that 80% of the tax liability is confined to about 20% of the assesseees, which means a process of statistical 'bunching'. Through an ABC analysis it is possible to identify those larger assesseees and concentrate penal action accordingly.

One could also think of obtaining police officers on deputation to the Corporation for execution of the distress warrants, removal of unauthorised construction, squatting and other violations of municipal law.

4.20 In order to facilitate tax collection, suitable rebates might be allowed, as in electricity bills. Conversely, penal interest rates should be charged on all delayed payments.

Arrangements should also be made in the various zones of the Corporation for the citizens to pay taxes. This would be possible when the administration is decentralised and Zonal Assistant Commissioners are posted in the four zones (para 2.06). House-to-house collection system needs to be abandoned.

4.21 The accounting system for tax collection needs improvement in terms of an adequate information system on tax realisation for each holding. This could be tied-up with the needed information system on tax assessment, discussed earlier (para 4.09).

4.22 The imposition of octroi in Gauhati awaits Government's approval. Meanwhile, the Corporation has prepared draft octroi rules and a schedule of rates, based on the Bangalore and Delhi Acts. Perhaps an examination of the Maharashtra and Gujarat rules under the Bombay Provincial Municipal Corporation Act, 1949, may be more relevant to the Gauhati situation.

4.23 The per capita municipal tax figure is too low compared to other corporations. In 1974-75, it was only Rs 12. This needs to rise to atleast Rs 30 for all direct taxes by 1980, which is considered as the minimum tax level for providing a reasonable degree of municipal services. An additional tax on vacant land, on steep rates, might also be thought of to discharge speculative transactions in

agricultural land outside the urbanised area. The provisions of the Delhi Municipal Corporation Act, 1957, may be examined in this context for introducing the enabling provision in the Act.

4.24 It is understood that the Corporation prepared a draft bye-law to tax advertisements; but this does not cover cinema advertisements. It is necessary to enlarge the contents of the draft bye-law to make it comprehensive.

4.25 The relationship between the domestic revenue and the total receipts show an imbalance in the budget for 1975-76, due to a large input of Government loan. Although the Act does not provide for any borrowing limits, a prudent ceiling would be around one-fourth of the Corporation's revenue income. Unless the future repayment capacity is taken into account, heavy borrowing may lead to financial crisis in the years to come.

5. External Assistance

5.01 We have already seen the tendency of the Corporation relying on the shoulders of the Government and the Government's reluctance to play the game. In order to understand the situation one has to keep in mind not only the Government's duty to pay the assigned taxes to the Corporation in time, but also the Corporation's duty to make adequate provision in its budget to repay outstanding loans and interest charges. An interesting feature of the size of outstanding loans of the Corporation is that it almost equals the total rateable value in the Corporation area. The per capita burden of debt comes to about Rs 55, as against the per capita taxation figure Rs 12. The total loans outstanding in the name of the Corporation stood at the staggering figure of Rs 166 lakhs, of which Rs 165 lakhs was due to the Government and a State undertaking. The position is summarised in Table-12.

5.02 From Table-12 it would appear that the Government deducted Rs 68.95 lakhs from its assigned tax liability of Rs 151 lakhs for loan repayment. In the budget for 1976-77, an amount of Rs 69 lakhs was provided for tax income; now, an equivalent amount is deducted for loan repayment. Naturally, this has created a serious ways and means problem for the Corporation.

5.03 The position with regard to the Government's

Table-12

Outstanding Loans of the Gauhati Municipal Corporation
(as on 31.3.1976)

(Rs Lakhs)

<u>I. Government</u>		Rs 157.06
<u>General Purpose</u>	Rs 22.23	
(i) Gauhati Municipality	Rs 62.15	
(ii) Gauhati Corporation	13.72	
	75.87	
<u>Less Already repaid</u>	7.69	
	68.68	
<u>Less Adjusted by Govt. on 31.3.1976</u>	46.45	
<u>Water Supply</u>	86.00	
Water supply scheme of the Gauhati Municipality:	108.50	
<u>Less Adjusted by Govt. on 31.3.1976</u>	22.50	
<u>Public Health Dept.</u>	48.83	
Maintenance charges	50.33	
<u>Less Already repaid</u>	1.50	
<u>II. Statutory Body:</u>	7.53	
<u>State Electricity Board</u>		
Street Lighting of the Gauhati Municipality	14.73	
<u>Less Already paid</u>	7.20	
<u>III. Dues to Contractors & Suppliers:</u>	1.72	
Gauhati Municipality		
Total Rs	166.31	

contribution to the Corporation may be seen in Table-13.

5.03 So far, there is no assurance that the Government has accepted the liability to pay Rs 1½ crores as compensation for motor vehicles taxation to the Corporation. Similarly, it is not known whether the Government intends paying for land revenue and local rates to the Corporation amounting to Rs 6 lakhs during the current year. The same is true for a large number of specific grants amounting to Rs 2.50 lakhs and a general-purpose grant of Rs 5.50 lakhs.

5.04 It seems clear that the State-municipal fiscal relations; as it affects the Corporation, is most unsatisfactory. There is no regularity of fiscal transfers, nor is there a definite commitment on the part of the State government to honour its obligations. This leads us to suggest the setting-up of a quinquennial State-Municipal Finance Commission to allocate State revenues to all municipal authorities, including the Corporation, and indicate the amount as a committed expenditure by the State Government before the Federal Finance Commission. This is now being done in many of the States in the country.

5.05 The Commissioner's introductory note to the 1976-77 budget includes an interesting suggestion: "To facilitate development of this Corporation, this city should be treated as separate for purposes of planning and funds be specifically allotted for development of civic

Table-13

Government's Contribution to the Gauhati Municipal Corporation

(Rs lakhs)

	1974-75 (Actuals)	1976-77 (B.E.)
<u>A. Assigned Taxes:</u>	<u>4.01</u>	<u>151.00</u>
1. Land Revenue	-	5.00
2. Local Rates	-	1.00
3. Immovable Property	4.01	5.00
4. M.V. Tax	-	110.00
5. Entertainment Tax	-	30.00
<u>B. Grants-in-Aid:</u>	<u>7.30</u>	<u>7.50</u>
1. PWD for Drains	-	0.56
2. Communication	-	0.15
3. General purpose	7.00	5.50
4. Harijan Allowance	-	0.92
5. Compensatory	-	0.37
6. Municipal School	0.30	-

services". Obviously, the Commissioner was contrasting the district-based State planning exercise and its lack of integration with the planning for the urban areas. This is because the State governments, including Assam, do not have any municipal sector in the State Plans that is assisted from the State Plan funds. Planning for the urban areas is left entirely to the local authorities and only ad hoc, specific, assistance is given for approved schemes. It is necessary that the State Governments must fulfil their development obligations to the local authorities in the same manner as the Central Government finalises the State Plans and provides Plan assistance to the State sector. Once the obligation is accepted, the State planning machinery will have to be geared to examine each local authority's plan and finalise the size of the local sector for providing block assistance for local development in the form of grants and loans. The State-Municipal Finance Commission will obviously look into the committed side of the local budgets arising, partly, due to increased development expenditure at the local level. What is suggested, therefore, is an integrated approach in State-municipal fiscal relations and not an ad hoc, discontinuous, set of arrangements without any sense of purpose and direction.

6. Concluding Observations

6.01 We had occasion to refer to the existing staffing pattern of the Corporation (paras 2.01 and 2.02). Here we would like to pin-point the weakness in the personnel system of the Corporation. At present, barring the Chief Engineer, all other top posts are manned by State cadre officers: the Administrator (ACS I), the Commissioner (ACS I), the Collector and the Secretary (ACS II). Three other officers at the middle level are drafted from the erstwhile Gauhati Development Authority, while the rest of the officialdom came to the Corporation from the erstwhile Gauhati Municipality. The junior appointees are, of course, all taken over from the Municipality. This has given birth to two distinct service classes, both antagonistic to each other. While the top brass adopts an attitude of overlordship, the middle brass feels frustrated due to limited promotion prospects. From the point of view of clean administration, it is important that the existing distance and distrust between the top and middle management in the Corporation should be eliminated. This is possible only through a mixed staffing pattern, induction of outside expertise and adequate promotion prospects for the internal staff.

6.02 There is also a need to train the deputed officers to the Corporation on specific aspects of municipal administration with which they are concerned. Such training, when conducted outside the State, gives opportunities of meeting officials from corporations elsewhere in the country. The same would be true of the 'local' officers at the middle level, except that due to their long period of service they might be shifted from one department to another and need training at regular intervals to make themselves relevant for their assigned tasks. At the junior level, the training needs are somewhat simpler and programmed learning, manual-oriented tests, etc. could be organised locally. In Gauhati, there is an Administrative Training School meant to train State civil servants. It is possible to organise suitable training programmes for the middle and junior-level staff of the Corporation at this School, with suitable assistance from the State department of the municipal administration.

6.03 A long-term solution of the staffing problem of the Corporation would lie in the creation of a State-wide unified cadre of municipal officers, transferable from one municipality to another including the Corporation, and controlled by the State directorate of municipal administration. quite a number of States have created such cadres, and it would be worthwhile for the State government to consider similar action in Assam.

6.04 The management process within the Corporation calls for adoption of suitable techniques in management information system, budgeting, project appraisal, management accounting, operations research, sensitivity training, and so on. While some of these techniques could be imparted through training, installation of other techniques as a part of the management reform of the Corporation seems urgent. The entire system of financial and fiscal management needs to be modernised and suitable budgetary, information and accounting techniques need to be institutionalised. Adoption of a system of performance budgeting, as a first step, is urgently called for. In the Gauhati situation, this should receive high priority so that the tax-payers are able to see how productively their money is being utilised.

6.05 We have highlighted the existing deficiencies of administration in the Corporation and, at the same time, indicated the direction of its future growth. If the suggestions are accepted, suitable steps will have to be taken for their realisation.

Acknowledgements

The present report arises out of a short visit to Gauhati (April 4-8, 1976) by the author at the invitation of Shri B.K. Barooah, Administrator, Gauhati Municipal Corporation, acting on the suggestion of Shri A.K. Saikia, Secretary, Municipal Administration Department, Government of Assam. The author is greatly indebted to both of them for their unfailing courtesy and hospitality. At the Corporation, the author was fortunate to locate many of his past students who readily provided all the needed information and assistance. The original brief was to examine the taxation problems; this was extended to cover the fiscal administration and, still later, the entire gamut of the executive system. If the outcome is worthwhile, the credit should go to my students. Finally, the author would like to thank Shri R.N. Haldipur, Director, Indian Institute of Public Administration, for readily agreeing to the acceptance of the Gauhati assignment.

A.D.

New Delhi.

May, 1976